THE IMPACT OF FREE CASH FLOW ON FORECASTED EARNING SUCCESS IN COMPANIES LISTED IN TEHRAN STOCK EXCHANGE

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Abstract. In this study, we will focus on whether free cash flow in a company can be related to forecasted earning success which is considered as a crucial factor for investors' decision-making. To this end, four hypotheses have been developed and tested. In the first hypothesis, the relationship between free cash flow and forecasted earning success was investigated and in other three hypotheses, this relationship was analyzed in large, medium and small companies. This study is a causal and ex-post facto research and the target population comprises all the companies listed in Tehran Stock Exchange. In the present study, 85 companies accepted in Tehran Stock Exchange in 2008-2014 were examined. To do the analyses, linear regression model (panel data) has been used. Further, Jarque-Bera, Chow and Hausman tests were applied respectively for data normality, integrated or fixed effects hypotheses and fixed or random hypothesis testing. The results demonstrate that there is a significant relationship between free cash flow and forecasted earning success. The existence of this relationship and the negative direction were also proved in the fourth hypothesis and the same relationship and its positive direction were also confirmed in the second hypothesis. But in the third hypothesis, the existence of such a relationship was not proved. That is, no relation was found between free cash flow and forecasted earning success in medium companies.

Keywords: Free cash flow, corporate size, forecasted earning success

1. INTRODUCTION

Accounting information evaluates profitability and forecasts future cash flows of the company based on reported data in financial statements and shareholders assess the firm value by establishing a logical relationship between profitability and future cash flows and make decisions according to these forecasts. Cash inflows and outflows of a business unit are among the most fundamental events on the basis of which many decisions and judgments regarding that unit are made by investors and creditors (Rahimian et al., 2014). Investors and creditors tend to invest in the companies with high free cash flow since one of the tools for assessing the power of debt repayment and determining the financial flexibility of companies is free cash flow index. This desirability of high free cash flow is acceptable when the company has completed the growth stage and no longer has highly profitable investment opportunities (Kamyabi et al., 2014). On the contrary, some companies may face negative free cash flows. Negative free cash flow is not always undesirable. However, the causes of its negativity are important and should be analyzed. If the cause is that net operating profit is negative after deduction of tax, this type of negativity suggests a bad message because the company has been probably faced with operational problems. But if the negativity of free cash flow is due to fund investment in available profitable opportunities and application of great resources in operating capital items for the continuation and realization of growth, this kind of negativity has no disadvantages because it is temporary and is related to short-term periods of investment time. Desirability and profitability of investment in such opportunities appear in the long run and lead to the positivity of free cash flows in the long term. Generally, free cash flow is an index which can provide the creditors and shareholders with a better image of the company's financial flexibility and in their view, a company with high free cash flow has a favorable situation since the company can apply these funds for carrying out operations, distribution of dividends, debt repayment and expansion of profit units. The conservative manager who is working to increase the interests of the shareholders should make investments in profitable opportunities. The separation of ownership and management may lead to managers' profit-seeking and thus, surplus funds are used in ways that the company's resources are wasted. Jensen combined inequalities in information theory and agency theory and raised free cash flow hypothesis, based on which the residual funds create a conflict between the interests of managers and shareholders after financing all projects with positive net present value (Khodadadi et al., 2013). According to Jensen and McLing (1976), investment in these projects not only lacks value added but also causes to increase agency costs and reduce the firm value. Concurrent with decreased firm value and the pressure of shareholders, management is placed in a weak position. As a result, the manager uses opportunistic profit management tools in order to maintain his power and reduce the incurred weakness and in this way shows the earning another way by manipulating and misrepresenting the reports. The management purpose of providing false reports is to remove the negative effect of non-optimal investments. The earning predicted in fake management reports may affect the ability of future free cash flow. Because of the above problem, companies with great problems in surplus free cash flow are further inclined to provide false reports and for this reason, investors give them less importance for investment. Companies with high free cash flow will have less power of profit forecast; hence, with increased forecasted earning, surplus free cash flow is reduced (Chang et al., 2005).

Therefore, it can be stated that the relationship between forecasted earning success and free cash flow is negative and the effect of this inverse relationship has a crucial role in management decisions concerning the approval of profit, its distribution and payment and cash. According to the forecasted earning, shareholders can estimate expected future revenues based on the current values and assess their future prospects (Esma'eil, 2014). Earning forecast capability causes the investors to obtain future earnings and revenues and free cash flow based on the current profit. So, one of the most important criteria to predict future profit is the earning quality, meaning that if earning quality exists or earning has quality, future can be better predicted. Only when the stock market focuses on cash information for corporate valuation, earning has quality or in other words, earning quality exists. Thus, cash information should be appropriate for corporate valuation. In the theory of surplus free cash flow, companies with high free cash flow will have less opportunity for growth and development and most likely experience a decrease in their value (corporate devaluation). The present research seeks to answer the question as to whether free cash flow has an impact on forecasted earning success in Tehran Stock Exchange.

2. RESEARCH BACKGROUND

Soleimani and Taheri (2012) conducted a study and examined the effect of earnings per share forecast by managers on capital cost of companies accepted in Tehran Stock Exchange. The results indicate that for bad news presentation in earnings per share forecast, capital cost has increased. But the capital cost based on good news presentation for earnings per share forecast has no difference with the capital cost based on actual earnings per share. In other words, investors have changed their expectations for bad news of forecast and remained indifferent to good news of forecast.

Hejazi et al. (2014) in a study investigated earnings per share forecast using neural networks in companies listed in Tehran Stock Exchange. The obtained results revealed that neural networks in which basic accounting variables were applied had higher accuracy in earnings per share forecast compared to other methods. Overall, it can be mentioned that addition of basic accounting variables increases the accuracy of neural networks forecasting. In connection with comparing forecast accuracy between educational genetic and error back propagation algorithms, there is no possibility of definitive judgment with respect to different results obtained from different nodes.

Heydarpour and Khaje Mahmoud (2014) performed a study and assessed the relationship between features of earnings per share forecast by the management with firm risk and value with the aim of foresight in decision-making. The findings obtained from regression tests suggested that earnings per share forecast published by the company is potentially considered by the capital market and the activists of this market consider the above-mentioned figures in future decision-making models for investment.

Ahmad and Esma'eil (2012) evaluated the influence of surplus free cash flow and corporate governance on earnings. The sample under study consisted of 988 companies in the Malaysian Stock Exchange during 2002-2010. The research results demonstrated that surplus free cash flow and corporate governance affect earnings. Surplus free cash flow makes a negative impact on earnings and corporate governance has a positive effect on earnings.

Gregory and Wang (2013) examined the relationship between free cash flow, debt and institutional shareholders with long-term performance of the company in England in 2005_2012. They ultimately found a significant positive relationship between free cash flow, debt and institutional shareholders with firm performance.

Esma'eil (2014) investigated the impact of surplus free cash flow, corporate governance and corporate size on forecasted earning. The studied sample included 1274 companies in the Malaysian Stock Exchange during 2004 to 2012. The research findings indicated that surplus free cash flow, corporate governance and corporate size can affect forecasted earning. Surplus free cash flow makes a negative impact on forecasted earning and corporate governance and corporate size have a positive effect on earnings.

Jiang et al. (2015) studied business cycles and management earnings forecast during 2004-2013. The purpose of this research is to assess the features of management earnings forecast at different economic levels. A large volume of studies on the determinants of management earnings forecast have examined the characteristics of this prediction and the response of market activists to this earning forecast although few studies have been so far conducted on management earnings forecast based on macroeconomic factors. As previously discussed, macroeconomic factors are responsible for approximately half of the fluctuations in earnings of business units and changes in profits. The results suggest that business cycles can influence management earnings forecast.

Research hypotheses

1- There is a significant relationship between free cash flow and forecasted earning success.

2- There is a significant relationship between free cash flow and forecasted earning success in large companies.

3- There is a neutral relationship between free cash flow and forecasted earning success in medium companies.

4- There is a significant relationship between free cash flow and forecasted earning success in small companies.

3. RESEARCH METHOD

Scientific studies can be divided into three categories of fundamental, applied and developmental research, based on the purpose. Besides, in the method-based classification, researches are divided into historical, descriptive, correlational, experimental and causal types. The method for doing this research is causal

with an ex-post facto design (using the past information) which is in the field of positive accounting research and based on real information. This study is intended to discover and investigate the relations between specific factors and conditions or type of the event that previously existed or happened, through analyzing the obtained results. In other words, the researcher seeks to evaluate the possibility of the existence of causal relationships through observing the existing results and their previous background in the hope of finding the cause of the occurrence of the phenomenon.

Table 1: Statistical sample

Statistical sample	
Number of member companies in the statistical population at the end of the year 2008	349
is deducted	
Companies removed from the list of stock exchange companies during the research period	110
Companies with the fiscal year not ending on March 19 (end of Esfand)	76
Investment, financial and intermediary companies	55
Number of the statistical sample	108
Number of year-company of the statistical sample	756

Source: Stock exchange site

3.3. Research Variables

3.3.1. Dependent variable

Forecasted earning success is the dependent variable which is calculated through the following formula:

The difference between the actual earning and forecasted earning divided by the actual earning

3.4. Independent variable and its calculation

3.4.1. Free cash flow

In this study, the model provided by Gregory and Wang (2013) is used to measure free cash flows of the business unit. Based on the mentioned model, free cash flows are calculated through the formula below:

$$FCF_{it} = (INC_{it} - TAX_{it} - INTEP_{it} - PSDIV_{it} - CSDIV$$

$$A_{i,t-1} \qquad (1)$$

Here, we have:

FCF_{it}: Free cash flows of the company i in the year t

3.1. Statistical population

In this research, the target population comprises all the companies listed in Tehran Stock Exchange during 2008-2014.

3.2. Sampling method and sample size

To calculate the statistical sample, systematic elimination method was employed.

INT_{it}: Operating profit before depreciation of the company i in the year t

TAX_{it}: Total tax paid of the company i in the year t

$INTEP_{it}$: Interest expense paid of the company i in the year t

$PSDIV_{it}$: Preferred shareholders dividends paid of the company i in the year t

$CSDIV_{it}$: Ordinary shareholders dividends paid of the company i in the year t

$A_{i,t-1}$: Total book value of assets of the company i in the year t-1

3.5. Control variables

Control variables of the research include corporate size and debt-loss ratio of the company, which are measured as follows:

Corporate size (SIZE): Obtained from the logarithm of total assets (Esma'eil, 2014).

Debt ratio (DEBT): Estimated by the ratio of long-term debt to total assets (Esma'eil, 2014).

Loss (LOSS): It is 1 if the company has made a loss in the year under study; otherwise, it is zero (Esma'eil, 2014).

3.6. Classification of corporate size

To test the second, third and fourth hypotheses, the companies are divided into large, medium and small types based on the size. Division with regard to the size is made based on the logarithm of assets. In this division, 30% on the top are large companies, 40% in the middle are medium companies and 30% at the bottom are small companies.

Accordingly, of 108 sample companies, 32 companies are considered as large companies in this study; 44 companies as medium companies and 32 companies as small companies.

Table 2: Descriptive findings

Variable	Abbreviation	Minimum	Maximum	Mean	SD
Forecasted earning success	FORECAST EARNING	-0.26	0.67	0.21	0.28
Free cash flow	SFCF	-0.124	0.43	0.161	0.22
Corporate size	SIZE	9.6	13.23	11.76	0.55
Debt ratio	DEBT	0.26	0.83	0.48	0.31
Loss	LOSS	0	1	0.44	0.52

Considering the descriptive statistic, the dispersion index of these variables is low in different companies. The highest standard deviation is related to the

Table 3: Normality testing

Variable	Jarque-Bera	Significance level
Error term of the first hypothesis	1.19	0.093
Error term of the second hypothesis	0.87	0.117
Error term of the third hypothesis	1.24	0.085
Error term of the fourth hypothesis	0.69	0.31

Normality testing of variables determines the type of statistics used. This test shows the manner of data distribution and dispersion. As can be observed in

Table (4): Correlation coefficient test

	FORECAST	SFCF	SIZE	DEBT	LOSS
FORECAST	1				
SFCF	-0.14***	1			
SIZE	0.19***	0.64***	1		
DEBT	-0.21***	0.48***	0.58***	1	
LOSS	-0.37***	0.33***	0.24**	0.147**	1

Source: Research findings
***Significance level of 0.001
**Significance level of 0.05

4. RESEARCH FINDINGS

variable of corporate size and the lowest standard deviation is associated with the variable of operating cash flow of the next year.

4.1. Normality testing

H_0: The model variables are normal.

H_1: The model variables are not normal.

Table (3), the significance level of this test is above 5% for all data, which suggests the normality of this data. The normality data specifies the manner of data distribution and dispersion.

4.2. Correlation coefficient

Before addressing the hypothesis testing in this study, the correlation between variables is investigated for co-integration detection. The obtained results have been provided in Table (4). Given the results, the correlation coefficient between variables is moderate and low.

4.3. Collinearity test

Table 5: Collinearity test

Variable	Symbol	1
Free cash flow	SFCF	1.09
Corporate size	SIZE	1.18
Debt ratio	DEBT	1.45
Loss	LOSS	1.87

Collinearity values of over 10 indicate the probability of collinearity between independent variables and the values above 15 suggest a serious problem in using the regression in the existing situation (Hassas Yeganeh et al., 2009). On the other hand, all collinearity values are below 15, which show the absence of collinearity between the independent variables.

4.4. First hypothesis tests

4.4.1. F Limer test

F Limer test was done to determine the application of fixed effects model versus data integration, whose

Table 6: F Limer test

Hypothesis	Effects test	Statistic	Significance level	Test result
First	F	18.22	0.000	Fixed effects

Results of this test demonstrate that the significance level of the models is below 5%; thus, the null hypothesis (integrated model) is not confirmed.

Table 7: Hausman test

Hypothesis	Test summary	Chi-square statistic	Significance level	Test result
First	Random period	54.11	0.000	Fixed effects model

As is evident from the results of the figure, the significance level for the research hypotheses is lower than 5%. Therefore, the hypothesis of fixed effects model is confirmed. This suggests the existence of a relationship between estimated regression error and independent variables. Given the obtained results, the panel data method is applied for hypothesis testing.

Table 8: Self-correlation and heterogeneity of variance tests

Hypotheses	Heterogeneity of variance test			Self-correlation test		
	Chi2	Significance level	Heterogeneity	F	Significance level	Self-correlation
1	0.12	0.917	No	0.37	0.628	No

Heterogeneity of variance test results indicate the significance level of more than 5%. So, the null hypothesis is not rejected. This means that the research variables enjoy the homogeneity of variance and lack self-correlation.

4.7. Testing the first hypothesis

H_0: There is no significant relationship between free cash flow and forecasted earning success.

H_1: There is a significant relationship between free cash flow and forecasted earning success.

results are shown in the table below. For the research hypotheses, panel-related tests have been used.

H_0: The model is integrated.

H_1: The model is fixed effects.

4.5. Hausman test

H_0: The model is random effects.

H_1: The model is fixed effects.

4.6. Self-correlation and heterogeneity of variance tests

Another assumption of the linear regression model is the zero covariance between the error terms over time (or cross-sectionally for all data types).

H_0: The model variables lack self-correlation and heterogeneity of variance.

H_1: The model variables have self-correlation and heterogeneity of variance.

Results of Table (9) show the optimal model for hypothesis testing. F statistic (84.33) and significance level (0.000) suggest the significance of the model to test the hypotheses. Wooldridge test results also indicate the absence of self-correlation between the error terms. Adjusted coefficient of determination is 0.28. The variable of free cash flow is regarded as the independent variable; forecasted earning success of the company is the dependent variable and variables of corporate loss, size and financial leverage are recognized as the control variables of the study. The variable of surplus free cash flow has an inverse and negative relationship with forecasted earning success of the company with regard to its significance level in the table (0.000). Additionally, there is a relationship between the control variable of corporate loss and forecasted earning success of the company. Hence, a significant relationship exists between free cash flow and forecasted earning success. Considering the significant relationship between free cash flow and forecasted earning success, the first research hypothesis is confirmed.

Table 9: First hypothesis testing

FORCAST EARNING $_{t+1}$ = B$_0$+B$_1$ SFCF+B$_2$ SIZE+B$_3$ DEBT+B$_4$ LOSS +e				
Variable	Abbreviation	Coefficient	T statistic	Significance level
Free cash flow	SFCF	-0.16	-3.19	0.000
Corporate size	SIZE	0.04	0.76	0.42
Debt ratio	DEBT	-0.093	-1.74	0.106
Loss	LOSS	-0.18	-5.88	0.000
Y intercept	B0	0.109	2.38	0.017
Adjusted coefficient of determination	0.28		F statistic	84.33
			Significance level	0.000

Table 10: F Limer test

Hypothesis	Effects test	Statistic	Significance level	Test result
Large	F	16.22	0.000	Fixed effects
Medium	F	25.18	0.000	Fixed effects
Small	F	18.63	0.000	Fixed effects

Results of this test reveal that the significance level of the models is below 5%; thus, the null hypothesis (integrated model) is not confirmed.

Table 11: Hausman test

Hypothesis	Test summary	Chi-square statistic	Significance level	Test result
Large	Random period	17.22	0.000	Fixed effects model
Medium	Random period	21.74	0.000	Fixed effects model
Small	Random period	19.63	0.000	Fixed effects model

As is evident from the results of the figure, the significance level for the research hypotheses is lower than 5%. Therefore, the hypothesis of fixed effects model is confirmed. This suggests the existence of a relationship between estimated regression error and independent variables. With respect to the obtained results, the panel data method is employed for hypothesis testing.

Table 12: Self-correlation and heterogeneity of variance tests

Hypotheses	Heterogeneity of variance test			Self-correlation test			
	F	Significance level	Heterogeneity	F	Significance level	Self-correlation
Large	0.91	0.174	No	0.64	0.37	No
Medium	0.29	0.72	No	0.88	0.146	No
Small	0.56	0.39	No	0.47	0.51	No

The results of heterogeneity of variance test indicate the significance level of above 5%. So, the null hypothesis is not rejected. This means that the

4.8. Testing the second, third and fourth hypotheses

4.8.1. F Limer test

F Limer test was done to determine the application of fixed effects model versus data integration, whose results have been presented in the table below.

H_0: The model is integrated.

H_1: The model is fixed effects.

4.8.2. Hausman test

H_0: The model is random effects.

H_1: The model is fixed effects.

4.9. Self-correlation and heterogeneity of variance tests

One of the assumptions of the regression equation is the fixed variance of errors, which is recognized as the assumption of homogeneity of variances. If the errors do not have a fixed variance, it is said that there is the heterogeneity of variance. Another assumption of the linear regression model is the zero covariance between the error terms over time (or cross-sectionally for all data types).

H_0: The model variables lack self-correlation and heterogeneity of variance.

H_1: The model variables have self-correlation and heterogeneity of variance.
research variables enjoy the homogeneity of variance and lack self-correlation.

4.10. Testing the second hypothesis

H_0: There is no significant relationship between free cash flow and forecasted earning success in large companies.

H_1: There is a significant relationship between free cash flow and forecasted earning success in large companies.

Results of Table (13) show the optimal model for hypothesis testing. F statistic (92.28) and significance level (0.000) suggest the significance of the model for hypothesis testing. Wooldridge test results also indicate the absence of self-correlation between the error terms. Adjusted coefficient of determination is 0.29. The variable of surplus free cash flow in large companies is regarded as the independent variable; forecasted earning success in large companies is the dependent variable and variables of corporate loss, size and financial leverage are recognized as the control variables of the study. The variable of free cash flow in large companies has a direct and positive relationship with forecasted earning success in large companies with respect to its significance level in the table (0.000). Moreover, there is a relationship between the control variables of corporate loss, size and financial leverage with forecasted earning success in large companies. Since in large companies, free cash flow has a significant direct impact on forecasted earning success, the second research hypothesis is approved.

4.11. Testing the third hypothesis

H_0: There is no neutral relationship between free cash flow and forecasted earning success in medium companies.

H_1: There is a neutral relationship between free cash flow and forecasted earning success in medium companies.

Results of Table (13) indicate the optimal model for hypothesis testing. F statistic (88.17) and significance level (0.000) suggest the significance of the model for hypothesis testing. Wooldridge test results also show the absence of self-correlation between the error terms. Adjusted coefficient of determination is 0.23. The variable of free cash flow in medium companies is regarded as the independent variable; forecasted earning success in medium companies is the dependent variable and variables of corporate loss, size and financial leverage are considered as the control variables of the study. The variable of free cash flow in medium companies has no relationship with forecasted earning success in medium companies with respect to its significance level in the table (0.135). Additionally, there is a relationship between the control variables of corporate loss, size and financial leverage with forecasted earning success in medium companies. Since in medium companies, free cash flow has no significant impact on forecasted earning success, it can be stated that the effect is neutral and the third research hypothesis is confirmed.

4.12. Fourth hypothesis testing

H_0: There is no significant relationship between free cash flow and forecasted earning success in small companies.

H_1: There is a significant relationship between free cash flow and forecasted earning success in small companies.

Results of Table (13) show the optimal model for hypothesis testing. F statistic (73.18) and significance level (0.000) suggest the significance of the model for hypothesis testing. Wooldridge test results also indicate the absence of self-correlation between the error terms. Adjusted coefficient of determination is 0.21. The variable of free cash flow in small companies is regarded as the independent variable; forecasted earning success in small companies is the dependent variable and the variables of corporate loss, size and financial leverage are considered as the control variables of the study. The variable of free cash flow in small companies has an inverse and negative relationship with forecasted earning success in small companies with respect to its significance level in the table (0.000). Moreover, there is a relationship between the control variables of corporate loss, size and financial leverage with forecasted earning success in small companies. Since in small companies, free cash flow has a significant inverse impact on forecasted earning success, the fourth research hypothesis is approved.

Table 13: Testing the second, third and fourth hypotheses

$FORCAST\ EARNING_{t+1} = B_0 + B_1\ SFCF + B_2\ SIZE + B_3\ DEBT + B_4\ LOSS + c$

		Large companies			Medium companies			Small companies		
Variable	Abbr.	Coefficient	T statistic	Sig.	Coefficient	T statistic	Sig.	Coefficient	T statistic	Sig.
Free cash flow	SFCF	0.036	4.17	0.000	0.062	1.35	0.135	-0.074	-3.19	0.000
Corporate size	SIZE	0.28	3.67	0.000	0.13	3.281	0.000	0.11	2.02	0.048
Debt ratio	DEBT	-0.14	-2.14	0.035	-0.07	-2.09	0.045	-0.02	-3.87	0.000
Loss	LOSS	-0.38	-6.57		0.000	-2.24	0.031	-0.08	-2.68	0.019
Y intercept	a	0.01	0.87	0.341	0.054	1.01	0.25	0.035	1.27	0.14
Adjusted coefficient of determination				0.29			0.23			0.21
T statistic				91.28			88.17			73.18
Sig.				0.000			0.000			0.000

5 .CONCLUSION

According to the research findings, the existence of cash flow causes to create information asymmetry in predicting corporate profits because management has access to this cash flow and applies it to its own benefit and even to the detriment of the shareholders. Thus, investors cannot properly forecast the profit and in other words, management has caused the investors not to be able to make a proper decision by earning manipulation and indeed, profit does not have the required quality. Therefore, free cash flow makes a negative impact on forecasted earning success. The results of this research are consistent with the findings of Esma'eil et al. (2014).

Besides, cash flows are affected by greater company size. In the stock market, if investors can successfully predict the profits of different companies and buy and maintain stocks of those companies with good profitability potential in the near future, then they will be able to make good returns from their stock portfolios. Hence, forecasted earning success can be considered as an important factor for decision-making. Although there is a conflict of interest in large companies, information asymmetry is reduced due to more monitoring mechanisms over the performance of managers and greater attention to cash funds. Accordingly, the cash funds available to managers decrease and finally, the profits declared by them will be of higher quality and this will make a direct impact on forecasted earning success.

Further, no relationship was observed between free cash flow and forecasted earning success in medium companies. Thus, in medium-sized companies, free cash flow cannot be considered as a source for predicting the corporate profit. As a result, investors should take into account other existing variables affecting the forecasted profit in order to succeed in predicting the company's earnings and ensure the accuracy of the forecasted profit.

In small companies, free cash flow is invested in low-return or even loss-making projects because of less supervision over management and thus, the corporate performance is affected and this does not allow the company to achieve the expected benefits. In small companies, information asymmetry increases and external investors do not have easy access to internal information of companies or do not receive the corporate information at the right time. Ultimately, lack of adequate supervision over management performance and managers' use of cash funds by their own will cause that the declared profit does not have the required quality and free cash flow makes a negative effect on the forecasted earning success.

In the end, it is recommended that investors prepare the ground for management's efficient and effective use of free cash and increased quality of profit forecasting by shareholders through learning about how managers use corporate cash flow and developing provisions for further monitoring of the performance of investment managers and optimal use of the company's free cash and also operational auditing as control mechanisms.

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